TOWER RESOURCES PLC

COMPANY REGISTRATION NUMBER 05305345

INTERIM REPORT AND FINANCIAL STATEMENTS

30 JUNE 2022

TOWER RESOURCES PLC
PERIOD ENDED 30 JUNE 2022
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TOWER RESOURCES PLC
PERIOD ENDED 30 JUNE 2022
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2022 (unaudited) $	Six months ended 30 June 2021 (unaudited) $
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other administrative expenses		(520,416)	(429,463)
VAT provision		-	519,912
Total administrative expenses		(520,416)	90,449
Group operating loss		(520,416)	90,449
Finance expense		(1,711)	(129,907)
Loss for the period before taxation		(522,127)	(39,458)
Taxation		-	-
Loss for the period after taxation		(522,127)	(39,458)
Other comprehensive income		-	-
Total comprehensive expense for the period		(522,127)	(39,458)
Basic loss per share (USc)	3	(0.03c)	(0.11c)
Diluted loss per share (USc)	3	(0.03c)	(0.11c)

TOWER RESOURCES PLC
PERIOD ENDED 30 JUNE 2022
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2021 (unaudited)	31 December 2021 (audited)
			$
Non-current assets			
Exploration and evaluation assets	4	**29,566,534**	28,780,391
		29,566,534	28,780,391
Current assets			
Trade and other receivables	5	**10,966**	8,239
Cash and cash equivalents		**95,082**	10,227
		106,048	18,466
Total assets		**29,672,582**	**28,798,857**
Current liabilities			
Trade and other payables	6	**1,629,751**	2,336,336
Borrowings	7	**12,357**	13,801
		1,642,108	2,350,137
Non-current liabilities			
Borrowings	7	**35,625**	46,548
		35,625	46,548
Total liabilities		**1,677,733**	**2,396,685**
Net assets		**27,994,849**	**26,402,172**
Equity			
Share capital	8	**18,272,712**	18,264,803
Share premium	8	**150,616,116**	148,747,595
Retained losses		**(140,893,979)**	(140,610,226)
Total shareholders' equity		**27,994,849**	**26,402,172**

Signed on behalf of the Board of Directors

Jeremy Asher

Chairman and Chief Executive

30 September 2022

TOWER RESOURCES PLC
PERIOD ENDED 30 JUNE 2022
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	[1] Share-based payments reserve	Retained losses	Total
	$	$	$	$	$
At 1 January 2021	**18,254,040**	**145,343,446**	**8,187,337**	**(149,813,573)**	**21,971,250**
Shares issued for cash	5,521	**1,767,869**	-	-	1,773,390
Shares issued on settlement of third-party fees	273	88,330	-	-	88,603
Share issue costs	-	(92,046)	-	-	(92,046)
Share based payment charges	-	-	206,221	-	206,221
Total comprehensive income for the period	-	-	-	(39,458)	(39,458)
At 30 June 2021	**18,259,834**	**147,107,599**	**8,393,558**	**(149,853,031)**	**23,907,960**
Shares issued for cash	4,882	2,070,374	-	-	2,075,256
Shares issued on settlement of third-party fees	87	21,738	-	-	21,825
Share issue costs	-	(452,116)	-	-	(452,116)
Share based payment charges	-	-	762,490	-	762,490
Transfer to retained losses	-	-	(6,272,250)	6,272,250	-
Total comprehensive expense for the period	-	-	-	86,757	86,757
At 31 December 2021	**18,264,803**	**148,747,595**	**2,883,798**	**(143,494,024)**	**26,402,172**
Shares issued for cash	**7,909**	**2,048,242**	**-**	**-**	**2,056,151**
Shares issued on settlement of third-party fees	**-**	**-**	**-**	**-**	**-**
Shares issue costs	**-**	**(179,721)**	**-**	**-**	**(179,721)**
Total comprehensive income for the period	**-**	**-**	**238,374**	**(522,127)**	**(283,753)**
At 30 June 2022	**18,272,712**	**150,616,116**	**3,122,172**	**(144,016,151)**	**27,994,849**

[1] The share-based payment reserve has been included within the retained loss reserve and is a non-distributable reserve.

TOWER RESOURCES PLC
PERIOD ENDED 30 JUNE 2022
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2022 (unaudited) $	Six months ended 30 June 2021 (unaudited) $
Cash outflow from operating activities			
Group operating (loss) / profit for the period		(520,416)	90,449
Share-based payments	9	238,374	206,221
Finance costs		(1,201)	(769)
Operating cash flow before changes in working capital		**(283,243)**	295,901
Increase in receivables and prepayments		(2,727)	(14,470)
Decrease in trade and other payables		(706,585)	(539,234)
Cash used in operating activities		**(992,555)**	(257,803)
Investing activities			
Exploration and evaluation costs	4	(786,143)	(861,881)
Net cash used in investing activities		**(786,143)**	(861,881)
Financing activities			
Cash proceeds from issue of ordinary share capital net of issue costs	8	1,876,430	1,769,947
Repayment of borrowing facilities		(6,433)	(501,154)
Repayment of interest on borrowing facilities		(676)	(35,142)
Effects of foreign currency movements on borrowing facilities		(5,769)	1,010
Net cash from financing activities		**1,863,553**	1,234,660
Increase in cash and cash equivalents		84,855	114,976
Cash and cash equivalents at beginning of period		10,227	10,054
Cash and cash equivalents at end of period		**95,082**	125,030

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Accounting policies

a) Basis of preparation

This interim financial report, which includes a condensed set of financial statements of the Company and its subsidiary undertakings ("the Group"), has been prepared using the historical cost convention and based on International Financial Reporting Standards ("IFRS") including IAS 34 'Interim Financial Reporting' and IFRS 6 'Exploration for and Evaluation of Mineral Reserves', as adopted by the United Kingdom ("UK").

The condensed set of financial statements for the six months ended 30 June 2022 is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. They have been prepared using accounting bases and policies consistent with those used in the preparation of the audited financial statements of the Company and the Group for the year ended 31 December 2021 and those to be used for the year ending 31 December 2022. The comparative figures for the half year ended 30 June 2021 are unaudited. The comparative figures for the year ended 31 December 2021 are not the Company's full statutory accounts but have been extracted from the financial statements for the year ended 31 December 2021 which have been delivered to the Registrar of Companies and the auditors' report thereon was unqualified and did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

This half-yearly financial report was approved by the Board of Directors on 30 September 2022.

b) Going concern

The Group will need to complete its farm-out and/or another asset-level transaction within the coming months, or otherwise raise further funds, in order to meet its liabilities as they fall due, particularly with respect to the forthcoming drilling programme in Cameroon. The Directors believe that there are a number of options available to them through either, or a combination of, capital markets, farm-outs or asset disposals with respect to raising these funds. There can, however, be no guarantee that the required funds may be raised, or transactions completed within the necessary timeframes, which raises uncertainty as to the application of going concern in these accounts. Having assessed the risks attached to these uncertainties on a probabilistic basis, the Directors are confident that they can raise sufficient finance in a timely manner and therefore believe that the application of going concern is both appropriate and correct.

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2. Operating segments

The Group has two reportable operating segments: Africa and Head Office. Non-current assets and operating liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. The Group has not yet commenced production and therefore has no revenue. Each reportable segment adopts the same accounting policies. In compliance with IAS 34 'Interim Financial Reporting' the following table reconciles the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in these Financial Statements, together with comparative figures for the period-ended 30 June 2021.

	Africa		Head Office		Total	
	Six months ended 30 June 2022	Six months ended 30 June 2021	**Six months ended 30 June 2022**	Six months ended 30 June 2021	**Six months ended 30 June 2022**	Six months ended 30 June 2021
	$	$	**$**	$	**$**	$
Loss by reportable segment	**22,076**	(65,611)	**500,051**	105,069	**522,127**	39,458
Total assets by reportable segment [1]	**29,592,742**	27,954,857	**79,840**	135,531	**29,672,582**	28,090,388
Total liabilities by reportable segment [2]	**(1,359,118)**	(2,384,500)	**(318,615)**	(1,797,928)	**(1,677,733)**	(4,182,428)

[1] Carrying amounts of segment assets exclude investments in subsidiaries.
[2] Carrying amounts of segment liabilities exclude intra-group financing.

3. Loss per ordinary share

	Basic & Diluted	
	30 June 2022 (unaudited)	**31 December 2021 (audited)**
	$	$
(Loss) / profit for the period	**(522,127)**	47,299
Weighted average number of ordinary shares in issue during the period	**1,857,595,225**	1,865,280,160
Dilutive effect of share options outstanding	**-**	35,416,521
Fully diluted average number of ordinary shares during the period	**1,857,595,225**	1,900,696,681
(Loss) / profit per share (USc)	**(0.03c)**	0.00c

4. Intangible Exploration and Evaluation (E&E) assets

	Exploration and evaluation assets	Goodwill	Total
Period-ended 30 June 2022	**$**	**$**	**$**
Cost			
At 1 January 2022	100,788,853	8,023,292	108,812,145
Additions during the period	**786,143**	**-**	**786,143**
At 30 June 2022	**101,574,996**	**8,023,292**	**109,598,288**
Amortisation and impairment			
At 1 January 2022	(72,008,462)	(8,023,292)	(80,031,754)
At 1 January and 30 June 2022	**(72,008,462)**	**(8,023,292)**	**(80,031,754)**
Net book value			
At 30 June 2022	**29,566,534**	**-**	**29,566,534**
At 31 December 2021	28,780,391	-	28,780,391

In accordance with the Group's accounting policies and IFRS 6 the Directors' have reviewed each of the exploration license areas for indications of impairment. Having done so, based on the financial constraints on the Group, and specific issues associated with each license it was concluded that a full ongoing impairment was only necessary in the case of the Zambian licenses 40 and 41, the circumstances of which have not changed since previous reporting period.

The additions during the period represent Cameroon $618k (2021: $587k), $54k in South Africa (2021: $197k) and $115k in Namibia (2021: $77k). The focus of the Group's activities during this period has been on preparing for and acquiring inventory and services with respect to the anticipated drilling of the Njonji-3 appraisal well alongside ongoing subsurface evaluation in Namibia.

5. Trade and other receivables

	30 June 2022 (unaudited)	31 December 2021 (audited)
	$	$
Trade and other receivables	**10,966**	8,239

Trade and other receivables comprise prepaid expenditures.

6. Trade and other payables

	30 June 2022 (unaudited)	31 December 2021 (audited)
	$	$
Trade and other payables	289,950	272,627
Work programme-related accruals	1,191,825	1,847,575
Other accruals	128,583	144,160
VAT payable	19,393	71,974
	1,629,751	2,336,336

The future ability of the Group to recover UK VAT has been confirmed by the Upper Tier Tribunal in its judgement in favour of the Company on 20 May 2021 and is no longer the subject of a dispute with HMRC.

Work programme-related accruals of $1.2 million (2021: $1.8 million) comprise $422k with respect to Cameroon (2021: $1.1 million) and $769k with respect to South Africa (2021: $723k).

7. Borrowings

	Group	
	30 June 2022 (unaudited)	31 December 2021 (audited)
	$	$
Principal balance at beginning of period	**59,532**	**1,338,726**
Amounts drawn down during the period	-	-
Amounts repaid during the period	(6,433)	(1,278,451)
Currency revaluations at year end	(5,695)	(743)
Principal balance at end of period	**47,404**	**59,532**
Financing costs at beginning of year	**818**	**(7,026)**
Changes to financing costs during the year	-	47,383
Interest expense	510	99,997
Interest paid	(676)	(139,516)
Currency revaluations at year end	(74)	(20)
Financing costs at the end of the year	**577**	**818**
Carrying amount at end of period	**47,982**	**60,349**
Current	12,357	13,801
Non-current	35,625	46,548

Repayment dates

	Group	
	30 June 2021 (unaudited)	31 December 2020 (audited)
	$	$
Due within 1 year	12,357	13,801
Due within years 2-5	35,625	46,548
Due in more than 5 years	-	-
	47,982	**60,349**

During the period, the Group and Company entered into no new facilities (2021: $nil).

On 21 January 2021, the Company repaid in full the $500k loan facility with Shard Merchant Capital Ltd. The terms of the Shard Facility included the issue of 31,446,541 attached three-year warrants at a strike price of 0.6 pence and 5,761,198 shares to pre-pay interest charged at 12% per annum. The loan was secured by a fixed and floating charge over the Company's assets in favour of Shard Merchant Capital Ltd. The repayment of the loan included facility transaction costs of $35k.

On 4 March 2021, the Pegasus Petroleum Limited loan facility, to which Jeremy Asher is a controlling party, was extended to the end of November 2021. Consideration for the extension comprised an increase in the production-based payments, the amount depending on whether the loan would be repaid by 15 July or only in November 2021. Additionally, simple interest would accrue at 12% per annum pro rata, commencing on 4 March 2021, and would only be paid at the end of the facility period. The 15 July date was subsequently extended to 20 August 2021, with the production-based payments effectively limited to 3.75% of the Contractor share of revenues from the production sharing contract, net of the Government share and net of all Petroleum Taxes, and the facility was fully repaid on 20 August 2021.

8. Share capital

	30 June 2022 (unaudited)	31 December 2021 (audited)
	$	$
Authorised, called up, allotted and fully paid		
2,686,095,669 (2021: 2,109,172,592) ordinary shares of 0.001p	**18,272,712**	18,264,803

The share capital issues during the period are summarised below:

Ordinary shares	Number of shares	Share capital at nominal value $	Share premium $
At 1 January 2022	2,109,172,592	18,264,803	148,747,595
Shares issued for cash	576,923,077	7,909	2,048,242
Share issue costs	-	-	(179,721)
At 30 June 2022	2,686,095,669	18,272,712	150,616,116

9. Share-based payments

In the Statement of Comprehensive Income the Group recognised the following charge in respect of its share-based payment plan:	30 June 2022 (unaudited)	31 December 2021 (audited)
	$	$
Share-based payment charges incurred on incentivisation of staff included within administrative expenses	(158,101)	(153,039)
Share-based payment charges incurred on incentivisation of consultants included within administrative expenses	(34,417)	(11,066)
Share-based payment charges recharged to subsidiary undertakings on incentivisation of staff and consultants	(14,861)	(42,116)
Share-based payment charges incurred on shares issued for cash	(30,995)	-
	(238,374)	**(206,221)**
Share-based payment charges incurred on issue of options and warrants as part of loan financing facilities included within finance expense	-	(28,183)
Total share-based payment plan charges for the period	**(238,374)**	**(234,404)**

Options

Details of share options outstanding at 30 June 2022 are as follows:

	Number in issue
At 1 January 2022	244,000,000
Awarded during the period	-
Lapsed during the period	-
At 30 June 2022	**244,000,000**

Date of grant	Number in issue	Option price (p)	Latest exercise date
24 Jan 19	70,000,000	1.250	24 Jan 24
18 Dec 20	86,000,000	0.450	18 Dec 25
01 Apr 21	88,000,000	0.450	01 Apr 26
	244,000,000		

These options vest in the beneficiaries in equal tranches on the first, second and third anniversaries of grant.

Warrants

Details of warrants outstanding at 30 June 2022 are as follows:

	Number in issue
At 1 January 2022	806,635,644
Awarded during the period	44,239,618
Lapsed during the period	(92,212,000)
At 30 June 2022	**758,663,262**

Date of grant	Number in issue	Warrant price (p)	Latest exercise date
09 Nov 17	**31,853,761**	1.000	09 Nov 22
01 Jan 18	**2,542,372**	1.000	01 Jan 23
01 Apr 18	**2,083,333**	1.500	01 Apr 23
01 Jul 18	**2,272,726**	1.780	30 Jun 23
01 Oct 18	**4,687,500**	1.575	30 Sep 23
24 Jan 19	**19,999,999**	1.200	23 Jan 24
16 Apr 19	**90,000,000**	1.000	14 Apr 24
30 Jun 19	**4,285,714**	1.000	28 Jun 24
30 Jul 19	**3,000,000**	1.000	28 Jul 24
15 Oct 19	**191,365,084**	1.000	13 Oct 24
31 Mar 20	**49,816,850**	0.200	30 Mar 25
29 Jun 20	**19,719,338**	0.350	28 Jun 25
28 Aug 20	**78,616,352**	0.600	28 Aug 23
01 Oct 20	**10,960,907**	0.390	30 Sep 25
01 Dec 20	**4,930,083**	0.375	30 Nov 25
31 Dec 20	**12,116,316**	0.450	30 Dec 25
01 Apr 21	**16,998,267**	0.450	31 Mar 26
01 Jul 21	**24,736,149**	0.250	30 Jun 26
14 Jan 21	**128,205,128**	0.650	14 Jan 23
01 Oct 21	**16,233,765**	0.425	30 Sep 26
01 Jan 22	**17,329,020**	0.425	01 Jan 27
13 Jan 22	**7,058,824**	0.425	12 Jan 27
01 Apr 22	**19,851,774**	0.263	01 Apr 27
	758,663,262		

10. Subsequent events

1 July 2022: Issue of warrants in lieu of £30,000 (in aggregate) of Directors fees to Paula Brancato (3,366,248 warrants), Mark Enfield (3,366,248 warrants), and Jeremy Asher (6,732,496 warrants) in settlement of fees due for the period from 1 July 2022 to 30 September 2022. The warrants are exercisable at a strike price of 0.295 pence, which is the same as the closing share price of 0.295 pence per share on 30 June 2022. The warrants are exercisable for a period of 5 years from the date of issue.

2 August 2022: Placing and subscription for approximately 857,142,286 new ordinary shares of 0.001 pence each raising gross proceeds of £1,499,999 at a price of 0.175 pence per Placing Share. The Company also issued a broker warrant in favour of Novum granting it the right to acquire 10,588,228 ordinary shares for a period of two years at a price of 0.425p per share. While the financing discussions in respect of the NJOM-3 well are concluded, the funds have been raised in preparation for the drilling of the NJOM-3 well, including payments on account of services associated with the well, and for working capital purposes via the Placing and subscription. A small portion of the funds raised will also be used to advance the Company's other 2022 work programs in Namibia and South Africa, including the basin modelling work currently underway on the Company's Namibian license PEL 96.

16 August 2022: Grant of Options under Annual Long Term Incentive Plan over a total of 148 million new ordinary shares in the capital of the Company were awarded at an exercise price of 0.30 pence per ordinary share, being a premium of 48% over the closing price of the Shares on that day. The Options will vest in three equal tranches being 12, 24 and 36 months respectively after issue and will expire, if not previously exercised, on the fifth anniversary of their issue, and will be governed by the terms of the Company's existing share option scheme. The award of options under the Long-Term Incentive plan is an annual event, which normally takes place in the first quarter of each year, but was delayed in 2022 due to a closed period and other factors.

30 August 2022: Issue of 11,200,000 Ordinary shares in the Company to Bedrock Drilling Ltd on 27 August 2022 in lieu of fees to the value of £25,200. The Company has issued shares in lieu of fees on previous occasions to Bedrock Drilling, which provides well project management, well engineering services and drilling consultancy services to Tower's operations on the Thali block, offshore Cameroon, both to reduce cash costs and above all to align long term incentives with our well management team.